

STATE OF SOUTH CAROLINA

Application of

Sage Telecom, Inc.

for a Certificate of Public Convenience and Necessity
to Provide Resold and Facilities-Based Local
Exchange and Interexchange Telecommunications
Services in the State of South Carolina and for
Flexible and Alternative Regulation

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2007-337-C

(Please type or print)

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DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☒ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input checked="" type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input checked="" type="checkbox"/> Other: TESTIMONY OF ANDREW KARL	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		

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Application of)	
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Sage Telecom, Inc.)	Docket No. 2007-337-C
)	
for a Certificate of Public Convenience and)	
Necessity to Provide Resold and Facilities-Based)	
Local Exchange and Interexchange)	
Telecommunications Services in the)	
State of South Carolina and for Flexible and)	
Alternative Regulation)	
)	

**TESTIMONY OF ANDREW KARL
OF SAGE TELECOM, INC.**

*This document is an exact duplicate, with the exception of
the form of the signature, of the e-filed copy submitted to the
Commission in accordance with its electronic filing instructions.*

1 Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS FOR THE
2 RECORD.

3 A. My name is Andrew Karl. My title is Regulatory Compliance Manager and the business
4 address is 805 Central Expressway South, Suite 100, Allen, TX 75013.

5 Q. WHAT ARE YOUR JOB RESPONSIBILITIES?

6 A. My job responsibilities include the following:

- 7 • Contract interpretation and compliance.
- 8 • Research, preparation, and facilitation of compliance reporting.
- 9 • Preparation, coordination, and confirmation of all tariff changes and updates, and
10 for facilitating the approval and filing of all tariff language.
- 11 • Tariff compliance with regulatory rules, and to assist with negotiations of
12 interconnection agreements and resolution of post-interconnection disputes.
- 13 • Research and facilitation of entry into additional markets and states.
- 14 • Manage and support consultants and legal counsel regarding regulatory or
15 business matters.
- 16 • Accurate and complete production, timely filing and maintenance of company
17 reports, responses, and other official documents required by regulators.
- 18 • Financial analyses, tracking, payments and receipts associated with all related
19 areas, including but not limited to those pertaining to regulator-imposed fees and
20 universal service funding.
- 21 • Interdepartmental coordination and compliance with regulatory requirements.

22
23 Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND
24 EXPERIENCE.

25 A. I received a Bachelor of Business Administration and minor in Accounting from the
26 University of North Texas in May 2006. I have six years of telecommunications
27 experience in the areas of Customer Service and Regulatory Affairs. My Regulatory
28 Affairs experience and duties are described above.

29 Q. ARE YOU FAMILIAR WITH THE APPLICATION YOUR COMPANY SUBMITTED
30 TO THIS COMMISSION?

31 A. Yes.

32 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

33 A. The purpose of my testimony is to present evidence in support of Sage's application for

1 competitive local exchange and interexchange authority by demonstrating that Sage has
2 the ability to provide reliable telecommunication services throughout the State of South
3 Carolina, and by demonstrating why the granting of a Certificate of Public Convenience
4 and Necessity to Sage is in the public interest.

5 Q. IS YOUR COMPANY REGISTERED TO DO BUSINESS IN SOUTH CAROLINA?

6 A. Yes. A copy of our certificate of authorization for a foreign corporation to transact
7 business in South Carolina was attached as Exhibit B of the application.

8 Q. PLEASE DISCUSS THE MANAGERIAL ABILITY OF SAGE TO PROVIDE
9 TELECOMMUNICATIONS SERVICES IN SOUTH CAROLINA.

10 A. Sage has been operating as a competitive local exchange carrier providing local, access,
11 long distance and enhanced services for over ten years. Sage's personnel represent a
12 broad spectrum of business and technical disciplines, possessing many years of individual
13 and total telecommunications experience. Each member of Sage's management team will
14 draw upon his/her own experience, as well as the collective experience of the entire
15 management team, to ensure that Sage is managed and operated efficiently and profitably
16 in South Carolina, as it has in other states where it currently operates. A detailed
17 description of the top management team's background and experience is attached to
18 Sage's Application as Exhibit D which is incorporated by reference. Also, my
19 qualifications and experience were described earlier in my testimony.

20 Q. DESCRIBE SAGE'S FINANCIAL ABILITY TO OPERATE AS A
21 TELECOMMUNICATIONS CARRIER.

22 A. Sage's audited financial statements were submitted under seal as Exhibit C to the
23 application and are incorporated by reference. The Company's financial statements
24 clearly demonstrate Sage's ability to support its operations and serve the public in South
25 Carolina. At the time of the hearing, if necessary, I will provide further testimony to
26 support Sage's financial ability to provide the services outlined in the application.

1 Q. PLEASE DESCRIBE THE OPERATIONS OF THE COMPANY AND THE SERVICES
2 IT PROPOSES TO OFFER IN SOUTH CAROLINA.

3 A. Sage will offer basic local exchange service, custom calling features, and interexchange
4 toll services, including toll free services, to business and residential customers. Local
5 service will be provided through the use of wholesale agreements that Sage enters into
6 with incumbent providers such as BellSouth. Initially, toll services will be provided via
7 Sage's underlying long distance carrier.

8 Q. HAS THE COMPANY EXECUTED A STIPULATION WITH THE SOUTH
9 CAROLINA TELEPHONE COALITION?

10 A. Yes.

11 Q. WHAT FACILITIES WILL SAGE USE TO PROVIDE ITS PROPOSED LOCAL
12 TELECOMMUNICATIONS SERVICES?

13 A. Facilities-based local exchange service will be provided via (1) commercial wholesale
14 agreements with incumbents, (2) Sage's own facilities, or (3) a combination thereof.
15 Initially, toll services will be provided via Sage's underlying long distance carrier. Sage,
16 however, seeks the full range of resold and facilities-based local exchange and
17 interexchange authority so that it can have flexibility in provisioning its services in the
18 future.

19 Q. DOES YOUR COMPANY OWN ANY NETWORK SWITCHES OR TRANSMISSION
20 FACILITIES?

21 A. No.

22 Q. WHICH CARRIER OR CARRIERS SERVE AS YOUR UNDERLYING CARRIER
23 FOR INTEREXCHANGE SERVICES?

24 A. BellSouth will serve as Sage's underlying carrier for Interexchange service in South
25 Carolina. In addition, Sage currently utilizes the services of Level 3 for Interexchange

1 services in other states and currently anticipates that it will use those companies' services
2 in South Carolina.

3 Q. HAS YOUR COMPANY BEGUN NEGOTIATIONS WITH INCUMBENT LECS IN
4 SOUTH CAROLINA?

5 A. Sage is currently in negotiations with BellSouth and is confident it will achieve an
6 agreement with BellSouth.

7 Q. DOES SAGE PRESENTLY OFFER OR PROVIDE INTRASTATE SERVICE IN
8 SOUTH CAROLINA?

9 A. No.

10 Q. HOW WILL SAGE BILL FOR ITS SERVICES?

11 A. Sage will issue its own monthly invoices to its customers and will include the customer
12 service number on the invoice.

13 Q. DOES THE COMPANY OFFER A DEBIT OR PREPAID CALLING CARD?

14 A. Sage does not currently offer a debit or prepaid calling card.

15 Q. HOW WILL SAGE MARKET ITS SERVICES?

16 A. Sage will market its services by direct solicitation. Sage does not currently have
17 promotional materials to be used in South Carolina; however, if required by the
18 Commission, Sage will provide the Commission copies of such materials when they
19 become available.

20 Q. DOES SAGE USE TELEMARKETING AS A METHOD FOR SELLING ITS
21 SERVICES?

22 A. Sage has used out-bound telemarketing as a method for selling its services, but it has not
23 yet been determined if out-bound telemarketing will be used for South Carolina. If Sage
24 does intend to use out-bound telemarketing, then Sage will comply with all rules
25 regarding such. Sage's primary method of marketing involves the use of mailers that

1 generates in-bound calls from prospective customers. Sage anticipates the continued use
2 of such in-bound marketing.

3 Q. HOW ARE CUSTOMER INQUIRIES/DISPUTES HANDLED?

4 A. Customers may call Sage's toll-free number for (1) residential customer service at 888-
5 449-4940 and (2) business customer service at 877-619-3969. Sage representatives will
6 address customer inquiries and disputes at these numbers. Additionally, customer
7 inquiries and disputes may be addressed via direct mail.

8 Q. WHO IS THE CONTACT PERSON AT THE COMPANY THAT THE COMMISSION
9 OR OFFICE OF REGULATORY STAFF SHOULD CONTACT REGARDING
10 CUSTOMER COMPLAINTS OR REGULATORY ISSUES?

11 A. Jim Warren, Manager of Customer Operations, will be the Commission's contact
12 regarding customer complaints. He can be reached at 214-495-4524 or by email at
13 jwarren@sagetelecom.net. Jim has a staff in place of 4 members that respond directly to
14 Commission complaints. Any regulatory issues should be directed to Robert W.
15 McCausland, Vice President and Secretary at RMcCausland@sagetelecom.net or at 214-
16 495-4704.

17 Q. IN WHAT OTHER STATES HAS SAGE OR RECEIVED AUTHORITY TO PROVIDE
18 SERVICES?

19 A. Sage is currently authorized to provide services in Arkansas, California, Connecticut,
20 Illinois, Indiana, Kansas, Michigan, Missouri, Montana, Nevada, North Dakota, Ohio,
21 Oklahoma, Oregon, and Wisconsin, while Sage Telecom of Texas, LP is authorized to
22 provide such services only in Texas.

23 Q. WHERE DOES SAGE CURRENTLY HAVE PENDING APPLICATIONS TO
24 PROVIDE SERVICE?

25 A. Sage currently has applications pending in Idaho, Kentucky, North Carolina, Nebraska,
26 South Dakota, and Utah.

1 Q. HAS SAGE EVER BEEN DENIED CERTIFICATION IN ANOTHER STATE?

2 A. Sage has achieved certification in all states in which it has sought such with the exception
3 of New Mexico where it is currently pursuing certification after an initial denial.

4 Q. HAS SAGE EVER BEEN SUBJECT TO ANY FEDERAL OR STATE
5 INVESTIGATION REGARDING ITS SERVICES?

6 A. Sage entered into an Assurance of Voluntary Compliance ("AVC") on September 28,
7 2006, with the Indiana Attorney General regarding allegations over violations of the
8 Indiana Do Not Call rules. Sage did not admit liability but did agree to pay a civil
9 penalty of \$22,000 within days of signing the AVC. Sage also agreed to certain
10 monitoring and compliance requirements such as providing, upon request, an electronic
11 and paper record of all telephone sales calls made after the compliance date to the date of
12 the request and cooperating with the Attorney General in the investigation and resolution
13 of any and all future violations. As a result of the Indiana Attorney General Complaint,
14 Sage took immediate actions by terminating its telemarketing agreement with Focus
15 Communications, Inc. effective August 2006. All out-bound telemarketing in Indiana
16 ceased effective September 2006. Sage terminated the employee whom managed the
17 relationship with Focus and Sage.

18 Like most telecommunication providers, Sage has had informal complaints filed
19 by customers at the Federal Communications Commission ("FCC"). However, it has
20 been over two years since Sage was found to have violations, (Sage was found by the
21 FCC to have slammed eleven (11) customers between June 20, 2003 and March 29,
22 2005). While the FCC did not fine or impose a penalty on Sage, Sage was required to
23 absolve the slammed customers of charges for the first 30 days after the unauthorized
24 change occurred. Sage has found that the majority of its slamming complaints were the

1 result of outside sales activity either by out-bound telemarketing or door-to-door sales
2 efforts. Sage terminated its door-to-door sales agreement with Next Generation effective
3 April 2006. All out-bound telemarketing for Sage ceased in the first quarter of 2007.
4 Over eighty percent of the complaints were a result of a transposing of the numbers from
5 the third party verification to the electronic ordering. Sage always strives to increase its
6 initial training for sales employees as well as on-going training to reduce the number of
7 slamming complaints.

8 Q. WHY IS THE COMPANY SEEKING EXEMPTIONS FROM ANY RULES
9 REQUIRING THAT ITS BOOKS BE KEPT IN CONFORMANCE WITH THE
10 UNIFORM SYSTEM OF ACCOUNTS?

11 A. The USOA was developed by the Federal Communications Commission as a means of
12 regulating telecommunications companies subject to rate base regulation. As a
13 competitive carrier, Sage will not be subject to rate base regulation and therefore requests
14 Commission approval for Sage to maintain its books in accordance with Generally
15 Accepted Accounting Principals ("GAAP").

16 Q. WHY ARE YOU SEEKING A WAIVER OF THE REQUIREMENT THAT YOUR
17 BOOKS AND RECORDS BE KEPT IN SOUTH CAROLINA PURUSANT TO 26
18 REGS. 103-610?

19 A. Sage's principal office is located in Texas, and in the absence of such a waiver, Sage
20 would have to assume additional expenses to maintain records and reports in an office in
21 South Carolina. Sage will maintain the required records at its headquarters and will make
22 them available to the Commission and ORS upon request.

23 Q. WHY ARE YOU SEEKING A WAIVER OF THE REQUIREMENT THAT YOU
24 PUBLISH A LOCAL EXCHANGE DIRECTORY?

25 A. Sage plans to enter into an agreement with the directory publisher of BellSouth

1 Telecommunications, Inc. ("BellSouth") to include the names of its customers and all
2 other required information in BellSouth's directories.

3 Q. IN YOUR OPINION, WOULD THE ISSUANCE OF A CERTIFICATE TO SAGE BE
4 IN THE PUBLIC INTEREST?

5 A. Granting this Application will promote public interest by increasing competition for the
6 provision of telecommunications services in South Carolina.

7 Q. WILL THE SERVICE YOUR COMPANY INTENDS TO PROVIDE MEET THE
8 SERVICE STANDARDS OF THE COMMISSION?

9 A. Yes, Sage will meet the service standards of the Commission.

10 Q. WILL GRANTING YOUR APPLICATION ADVERSELY IMPACT THE
11 AVAILABILITY OF AFFORDABLE LOCAL EXCHANGE SERVICE?

12 A. No.

13 Q. WILL YOUR COMPANY SUPPORT UNIVERSALLY AVAILABLE TELEPHONE
14 SERVICE AT AFFORDABLE RATES AS REQUIRED BY THE COMMISSION?

15 A. Yes.

16 Q. IS SAGE REQUESTING RELAXED REGULATORY TREATMENT?

17 A. Yes. We will be a non-dominant, competitive provider of local exchange
18 telecommunications services. Therefore, we request that the Commission regulate our
19 company in the same relaxed fashion authorized in Order No. 98-165 in Docket No. 97-
20 467-C and extended to other similarly situated carriers. We understand that this flexible
21 regulatory treatment requires that we file maximum rates for our service offerings. Local
22 tariff filings would be presumed valid once they are filed subject to the Commission's
23 right to investigate the filing within thirty days.

24 Q. HAS SAGE REQUESTED ALTERNATIVE REGULATION OF ITS LONG
25 DISTANCE BUSINESS SERVICE, CONSUMER CARD AND OPERATOR SERVICE
26 OFFERINGS?

1 A. We request that all of its long distance business services, consumer card, and operator
2 service offerings be regulated pursuant to the procedures described and set out in Docket
3 No. 95-661-C and as modified by Order No. 2001-997-C in docket No. 2000-407-C. It is
4 the Applicant's intent by this request to have these services regulated in the same manner
5 as this Commission has permitted for by AT&T Communications of the Southern States.

6 Specifically, we request

- 7 (a) removal of maximum rate tariff requirements for its business services, consumer
8 card, operator service, and future private line, and customer network-type offerings;
9 (b) that tariff filings for these uncapped offerings are presumed valid upon filing. If the
10 Commission institutes an investigation of a particular filing within seven days, the
11 tariff filing will be suspended until further order of the Commission; and
12 (c) any relaxation in the reporting requirements that may be adopted for AT&T shall
13 apply to Sage also.

14 We understand that the alternative regulation orders were modified by Order No.
15 2001-997 so that rate caps for operator-assisted calls where a consumer uses a local
16 exchange carrier's calling card to complete calls from locations which have not selected
17 that local exchange carrier as their toll provider. The order imposed a maximum cap of
18 \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the
19 flat per-minute rate associated with these calls.

20 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

21 A. Yes.

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In Re:

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CERTIFICATE OF SERVICE

Docket Number: 2007-337-C

This is to certify that I, Leslie L. Allen, a legal assistant with the law firm of Robinson, McFadden & Moore, P.C., have this day caused to be served upon the person(s) named below the **Testimony of Andrew Karl** in the foregoing matter by placing a copy of same in the United States Mail, postage prepaid, in an envelope addressed as follows:

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Dated at Columbia, South Carolina this 22 day of October, 2007.



Leslie L. Allen